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CROWN MANAGEMENT BOARD OF SASKATCHEWAN

ANNUAL REPORT 1983

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CROWN MANAGEMENT BOARD OF SASKATCHEWAN

ANNUAL REPORT 1983

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Crown Investments Corporation of Saskatchewan
2400 College Avenue
Regina, Saskatchewan
S4P 1C8

Letter of Transmittal

Regina, Saskatchewan,
April 30, 1984

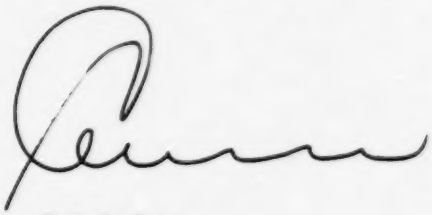
To His Honour,
The Honourable F.W. Johnson,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the sixth annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1983, including the consolidated financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,



Bob Andrew,
Minister in Charge,
Crown Investments Corporation
of Saskatchewan.

Board of Directors

Honourable R. Andrew, Chairman

Honourable L. McLaren, Vice-Chairman

Honourable E. Berntson

Honourable J. G. Lane, Q.C.

Honourable P. Rousseau

Honourable J. W. A. Garner

Honourable P. Schoenhals

Honourable J. C. Klein

Mr. Norman Bromberger, Regina

Mr. Harold Lane, Saskatoon

Mr. Frank Proto, Edmonton

Officers

C. J. Hindle
President

G. K. Wells
Senior Vice-President, Finance

T. A. Leier
General Counsel

D. G. Tate
Vice-President, Special Projects

S. D. Elbaum
Vice-President, Corporate Planning

R. E. Ulrich
Acting Secretary to the Board

J. F. Reid
Director, Resource Crowns

C. E. McFarlane
Director, Utility Crowns

G. R. Armstrong
Director, Equity Holdings

I. A. Ellis
Director, Special Projects

E. M. France
Director, Development Projects

G. A. Mrazek
Director, Accounting Services

Chairman's Remarks

The following annual report of the Crown Investments Corporation of Saskatchewan (CIC) contains the consolidated financial statements for Saskatchewan's 16 commercial Crown corporations for 1983. The narrative section of the report presents an overview of the Crown sector, including comments on individual Crown corporations and equity companies.

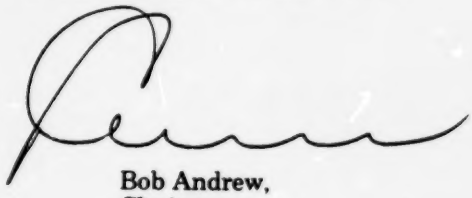
The process of internal philosophical and policy review begun in 1982 continued in 1983. The mandate of each of the Crown corporations was under review, with the goal being a better definition so their managers and the public could better understand their roles.

Following an announcement by Premier Grant Devine in June, Crown Management Board has replaced Crown Investments Corporation as the operating name of the commercial Crowns' administrative authority. The Crown Management Board has been empowered to establish policy for the 16 commercial Crown corporations including financial framework policies governing requirements with respect to debt/equity structures, profitability and dividends and strategic planning requirements.

As an initial directive, operational and control procedures were revised and a greater emphasis has been placed on improving performance and future profitability, particularly among the resource corporations.

Another change is that Cabinet ministers no longer fullfil the role of chairpersons of all Crown corporations. To permit the corporations to perform with greater autonomy, new chairpersons were appointed from outside ministerial ranks for the major Crowns (including SMDC, PCS, Saskoil, SPC, Sask Tel and SGI) in 1983.

In addition to recruiting talented individuals from the private sector to serve as chairpersons, three private citizens have been appointed to the Crown Management Board. These changes have been made to reduce political interference in the operation of Saskatchewan's Crown corporations, and to ensure they are managed according to sound business principles.



Bob Andrew,
Chairman,
Crown Management Board.

President's Remarks

Since accepting the new challenge represented by the presidency of the Crown Management Board in July, I have focussed my efforts on building a corporation suited to meeting the needs of both the provincial government and the corporations within the CMB group. These efforts coupled with improving economic conditions in the latter part of the year contributed to consolidated financial results set out in this report for 1983 which reflect a substantial improvement over those of 1982. I am grateful for the cooperation shown by all of the CMB corporations in this regard.

We have streamlined the organizational structure of the Crown Management Board and recruited a strong, senior management team to carry out the responsibilities of the corporation. These responsibilities include the review and approval of financial and strategic plans, capital allocation, and the implementation of government policy affecting Crown corporations.

Key initiatives in the closing months of 1983 were aimed at developing financial framework policies to strengthen the financial position of corporations, to clarify the expectations of the government regarding the performance of the corporations, and to reinforce the government's commitment that the commercial corporations operate on a business-like basis.

A major challenge that stemmed from the new policy objectives for Crown corporations was the development and refinement of a new mandate for the Crown Management Board that is responsive to these imperatives. In consultation with the corporations, this crucial task was completed in late 1983.

While much has been accomplished, there is much that remains to be done. I am confident that at the Crown Management Board we are moving forward to establish new and higher standards of public sector asset management.

Colin J. Hindle,
President,
Crown Management Board.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Resources

Potash Corporation of Saskatchewan (PCS)

Saskatchewan Mining Development Corporation (SMDC)

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskatchewan Forest Products Corporation

Saskatchewan Minerals

Utilities

Saskatchewan Power Corporation (SPC)

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Computer Utility Corporation (SaskComp)

Saskatchewan Water Supply Board

Financial and Service

Saskatchewan Government Insurance (SGI)

Saskatchewan Economic Development Corporation (SEDCO)

Saskatchewan Transportation Company (STC)

The Saskatchewan Government Printing Company

Agricultural Development Corporation of Saskatchewan (Agdevco)

Saskatchewan Development Fund Corporation

Municipal Financing Corporation of Saskatchewan

Consolidated Financial Performance

This sixth annual report of the Crown Investments Corporation of Saskatchewan (CIC) includes a consolidated statement of the 1983 financial results of the Province's commercial Crown corporations and a brief comment on their performance. Further information on each of the 16 commercial Crown corporations is available in their individual annual reports.

Overview

The difficult national and international economic conditions encountered in 1982 continued through much of 1983. Financing costs continued to be high, and the major resource corporations, which operate in a competitive international market environment, faced generally weak product demand and prices. The fourth quarter, however, saw economic conditions begin to strengthen, and the year ended with a consolidated net loss of $55 million. This is a considerable improvement over the loss of $126 million reported in 1982.

Total revenues increased from $1.74 billion in 1982 to $1.91 billion, while total assets on a consolidated basis rose from $5.9 billion to $6.5 billion in 1983. Taxes and royalty payments made to the province by the corporations increased 17 percent to $110 million from $94 million in 1982.

Resource Corporations

The five resource-related Crown corporations (Potash Corporation of Saskatchewan, Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation, Saskatchewan Forest Products Corporation and Saskatchewan Minerals) showed mixed results in 1983. International recessionary trends continued to dominate market conditions and performance among primary resource producers.

A major event during 1983 was the completion of the Key Lake uranium mine in which Saskatchewan Mining Development Corporation holds a 50 per cent interest. One of the richest uranium mines in the world, construction of this complex was one of the largest projects ever undertaken in Saskatchewan.

The Potash Corporation of Saskatchewan showed a major drop in earnings for the second year, while profits recorded by the Saskatchewan Oil and Gas Corporation were the highest in its history. As a group, the resource corporations reported net earnings of $14 million in 1983, up from $2 million in 1982.

Utilities

The utilities group — Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Computer Utility Corporation, and the Saskatchewan Water Supply Board — has as its mandate the provision of goods and services to citizens of Saskatchewan at reasonable rates. Rising costs, most notably the 23.6 per cent increase in interest expense reported by SPC, caused the combined earnings for the group to fall from a profit of $8 million in 1982 to a loss of $4.6 million in 1983.

Both SPC and Sask Tel, as well as SGI in respect of compulsory auto insurance, pursued their first rate increase applications before the Public Utilities Review Commission in 1983. The Commission was established in 1982 to review and approve requests by certain Crown corporations to change rates charged for monopoly utility services.

Financial and Service Corporations

The seven Crown corporations in the Financial and Service group are Saskatchewan Government Insurance, Saskatchewan Economic Development Corporation, Saskatchewan Transportation Company, The Saskatchewan Government Printing Company, Agricultural Development Corporation of Saskatchewan, Saskatchewan Development Fund Corporation, and the Municipal Financing Corporation of Saskatchewan.

Three of the five corporations which reported losses in 1982 recorded a profit in 1983. The best improvement was recorded by SGI, which, through a combination of rate increases, a reduction in outstanding reinsurance liabilities, and lower claims, reported a profit on general business of $9.8 million after a substantial loss in 1982. As a group, the Financial and Service corporations recorded net earnings of $24 million in 1983, as compared to a loss of $42 million in 1982.

CIC Industrial Interests Inc.

CIC Industrial Interests Inc., a wholly owned subsidiary of Crown Investments Corporation of

Saskatchewan, holds CIC's interests in a number of private sector companies. At year-end, it held 20 per cent of Interprovincial Steel and Pipe Corporation Ltd., five per cent of Nabu Manufacturing Corporation, 100 per cent of Cablecom Corporation, 91 per cent of Prairie Malt Ltd., and a 42 per cent voting interest in SED Systems Inc. The corporation's interests in Agra Industries Ltd. and Intercontinental Packers Limited were sold in 1983.

The Prince Albert Pulp Company Ltd. is wholly owned directly by CIC.

The results of both CIC Industrial Interests Inc. and the Prince Albert Pulp Company Ltd. are included in CIC's consolidated financial statements.

Resource Corporations

Potash Corporation of Saskatchewan (PCS)

In 1983, as in the previous year, potash markets were affected by relatively high real interest rates, poor farm incomes in North America, and limited purchasing power in third world countries. These factors combined to depress world demand and apply further downward pressure on prices.

As a result, PCS suffered a net loss in spite of increased production and sales. Sales revenues in 1983 were $215.7 million on sales of 3.59 million tonnes (KCl); up from sales of $188.1 million on 2.65 million tonnes in 1982. Production in 1983 was 3.11 million tonnes compared to 2.86 million tonnes in 1982. However, profits declined from $607 thousand in 1982 to a loss of $18 million in 1983.

Saskatchewan Mining Development Corporation (SMDC)

Construction of the Key Lake uranium mine, in which SMDC holds a 50 per cent interest, was completed in October of 1983, and at year end the mine was in the preproduction phase of development. The Cluff Lake mine, in which SMDC has a 20 per cent partnership interest, completed its third year of successful commercial operation.

Shifting demand and supply patterns caused the uranium spot markets to remain uncertain throughout 1983, although prices recovered somewhat from 1982 lows. Net income in 1983 was $2.1 million, as compared to $5.5 million in 1982. During the year, SMDC made deliveries to Canadian, European, American and Asian utilities with borrowed concentrates, which the corporation will repay with future Key Lake production.

Saskatchewan Oil and Gas Corporation (Saskoil)

In 1983, the Saskatchewan Oil and Gas Corporation recorded its best performance since inception in 1973. Net income rose to $30.9 million from $1.6 million in 1982.

This achievement reflects both the new mandate of the corporation to concentrate on profit and return on investment, and the effects of a reduction in provincial royalties for existing and new production. These royalty changes encouraged a high level of exploration and development drilling activity in the Saskatchewan petroleum industry, during 1983.

During the year, the corporation increased oil production and sales by 18 per cent over 1982 levels. Heavy oil accounted for 39 per cent of total production. Exploration expenditures amounted to $9.7 million of total capital spending of $30.1 million. Proven developed crude oil reserves increased 19.5 per cent.

Saskatchewan Forest Products Corporation

Although prices for lumber and plywood improved somewhat in 1983, they remained below levels considered satisfactory by industry. Saskatchewan Forest Products Corporation was able to achieve operating efficiencies and cost reductions which considerably improved performance compared to 1982. Sales volumes for the year increased by 48 per cent over 1982 levels. As a result, the net loss for 1983 declined to $3.3 million from $10.9 million in 1982.

Saskatchewan Minerals

Higher interest costs together with increased competition from European imports and by-product producers contributed to the decline in Saskatchewan Minerals' net earnings to $2 million in 1983 from $5.2 million in 1982. Industrial demand for sodium sulphate is expected to rise as world economic conditions improve.

During the year, the multiple effect evaporator system installed at Chaplin commenced operation, significantly reducing the natural gas costs associated with the production of sodium sulphate.

Utility Corporations

Saskatchewan Power Corporation (SPC)

The Saskatchewan Power Corporation supplies electricity and natural gas to customers throughout Saskatchewan. During 1983, the corporation continued to expand and upgrade its energy supply and distribution facilities, providing both employment opportunities and improved accessibility to Saskatchewan residents.

The two most significant efforts were the Nipawin hydroelectric power project and the Saskatchewan Natural Gas Distribution Program. Capital expenditures of $170.1 million at Nipawin created about 8,300 person months of employment in 1983, up from the 1982 totals of $56.3 million and 3,100 person months. Expenditures on the Saskatchewan Natural Gas Distribution Program were $32.5 million and created 2,000 person months of employment during the year, while extending the service to 2,270 new farm customers and 1,380 rural homes.

The year also saw the corporation pursue its first rate increase application before the Public Utilities Review Commission (PURC). Interim rate increases were approved by PURC effective July 9, 1983, and had the effect of providing some revenue relief to the corporation. However, higher natural gas costs and a 23.6 per cent increase in interest expense combined with other factors to produce a net loss of $19.7 million in 1983, compared to a loss of $3.4 million in 1982 (restated).

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Telecommunications constructs, maintains and operates a provincial telecommunications system in concert with similar systems throughout Canada. Sask Tel's corporate mission is to serve the communications needs of Saskatchewan residents economically and effectively. The corporation operates according to a philosophy of rate averaging to ensure universal access to services.

During 1983, Sask Tel continued development of a number of important projects and services begun in previous years. Construction of the world's longest commercial fibre optics network neared completion at the end of 1983, and work continued on expansion of Sask Tel's local cable TV distribution network. By year end the fibre optic network was more than 80 per cent complete and the cable TV distribution system was serving 129,000 customers.

Sask Tel's exciting experiment in high technology continued in 1983 with the introduction of a new videotex service called Agritex, designed to provide the agribusiness community with instant electronic access to a wide range of computer-based information.

In 1983, Sask Tel completed its first application to the Public Utilities Review Commission. Rate increases approved by PURC in 1983, together with increased customer demand for services and improved operating efficiencies raised net earnings in 1983 to $11.9 million from a level of $7.8 million in 1982.

Saskatchewan Computer Utility Corporation (SaskComp)

SaskComp is a computer service bureau offering a variety of products and services to both public and private clients. Among the corporation's major clients are certain departments of the government of Saskatchewan, some Crown corporations and the universities in Saskatoon and Regina.

Pursuing improvements in operating efficiencies and productivity enabled the corporation to record profits of $2.5 million in 1983 ($3.2 million in 1982) while at the same time implementing rate reductions for most services.

Saskatchewan Water Supply Board

From its headquarters in Watrous, the Saskatchewan Water Supply board is responsible for developing and operating water supply systems to meet municipal, agricultural, industrial, recreational and wildlife conservation requirements in the Saskatoon area. The corporation supplied about 1.26 billion gallons of water by pipeline to its customers in 1983, up from 1.16 billion gallons in 1982.

Increased sales coupled with modest rate increases in 1983, the first since 1979, led to profits of $725 thousand compared to earnings of $357 thousand in 1982.

Financial and Service Corporations

Saskatchewan Government Insurance (SGI)

Saskatchewan Government Insurance administers compulsory automobile insurance under the Automobile Accident Insurance Act (AAIA), and offers

property and casualty insurance products on a competitive basis in the province.

Rates charged for compulsory auto insurance are now subject to the approval of the Public Utilities Review Commission. In 1983, PURC approved AAIA rate increases averaging 3 per cent, which, together with a reduction in vehicle accidents enabled the AAIA to continue its recovery in 1983. At year end, the AAIA reported a positive balance of $14.9 million in the rate stabilization reserve, up from a deficit of $12.6 million in 1982.

In 1983, SGI's general business operations recorded a profit of $9.8 million, a major improvement over the record loss of $38.8 million reported in 1982. The 1983 net income figure reflects a gain resulting from an agreement terminating a substantial part of SGI's assumed reinsurance liabilities, thereby permitting reserves established for unpaid claims of prior years to be reduced.

Saskatchewan Economic Development Corporation (SEDCO)

SEDCO encourages the growth of industry by providing loans, guarantees, and in some cases, equity funding to businesses throughout the province. SEDCO also offers industrial and other property for lease or sale.

The demand for SEDCO's services dropped significantly in 1983, as national and international economic conditions affected the level of business activity in Saskatchewan. Many SEDCO clients were affected, causing the poor economic conditions to be reflected in the corporation's performance. Revenue increases of ten per cent from loan investments and properties were more than offset by a rise of 27 per cent in interest expenses and bad debts. As a result, the corporation recorded a net loss of $11.5 million in 1933, compared to a loss of $9 million in 1982.

Saskatchewan Transportation Company (STC)

The Saskatchewan Transportation Company provides a passenger and parcel express service in Saskatchewan serving more than 400 communities and more than 65 per cent of the province's population. In 1983, STC carried in excess of 805,000 passengers through all its services.

Rising operating expenses coupled with declines in revenues and passenger volumes caused the corporation's net loss to rise to $2.8 million in 1983 from $2.1 million in 1982. However, in-house efficiencies and the discontinuation of two uneconomic services, the Prairie Shuttle and Tour Program, enabled the corporation to reduce the rate of cost increase from an average annual rate of 19.8 per cent recorded over the years 1978-1982 to 3.9 per cent in 1983.

Saskatchewan Government Printing Company

The Saskatchewan Government Printing Company provides a general printing and book-binding service to the provincial government, its agencies and Crown corporations. Revenues for the year fell by $0.3 million to $2.4 million. Net income for 1983 fell to $62 thousand from a level of $143 thousand in 1982.

Agricultural Development Corporation (Agdevco)

The Agricultural Development Corporation was established in 1978 to support the development of domestic and export trade for the province's agricultural products, and to promote research and development related to alternative agricultural products and services. The corporation is active in the management and coordination of international aid and development projects in Zambia and Lesotho. Agdevco contributed $87 thousand to one of the two projects it undertook in the latter African nation.

In spite of weak world markets for agricultural products, net income rose from $117 thousand in 1982 to $128 thousand in 1983.

Saskatchewan Development Fund Corporation

The Saskatchewan Development Fund Corporation administers and is the trustee for the Saskatchewan Development Fund, established to provide Saskatchewan residents with an investment vehicle for both income and long-term growth. The corporation recorded a net income of $90 thousand in 1983 after a net loss of $124 thousand in 1982.

Changes to federal taxation laws have reduced the attractiveness of investing in the annuity section of the Fund, and interest and participation in the mutual fund section have been declining for several years. As a

consequence, it was decided that no new investments in the mutual fund section will be accepted but existing investments will continue to be managed within the Fund in the best interests of investors. As a result, total assets of the Fund are declining, from $42.9 million in 1982 to $39.6 million in 1983.

Municipal Financing Corporation

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of local improvements, schools, hospitals and other municipal projects in the province. The corporation purchases a portion of the authorized debentures sold each year by Saskatchewan local authorities. In 1983, the corporation participated in the financing of 77 projects throughout the province by purchasing $20.4 million of municipal debentures.

The gradual downward trend in interest rates in 1983 helped to restore a more favourable relationship between the interest costs on the corporation's borrowing and the interest revenues from debentures purchased in previous years. As a result, net income for 1983 increased to $1.1 million after a loss of $1.9 million in 1982.

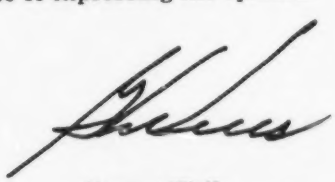
CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Consolidated Financial Statements 1983

The financial statements have been prepared by the management of the Corporation in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year. The statements have been examined and approved by the Board of Directors.

The integrity of the Corporation's financial records, from which these financial statements are prepared, is largely dependent on the Corporation's systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization; transactions are appropriately recorded in order to permit preparation of financial statements which, in all material respects, are presented in conformity with generally accepted accounting principles consistently applied; and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

Our independent auditor, whose report on the examination of the consolidated financial statements appears on page 12, reviews the systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing his opinion.



Garnet Wells,
Senior Vice-President,
Finance Division

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Consolidated Statement of Financial Position

As at December 31

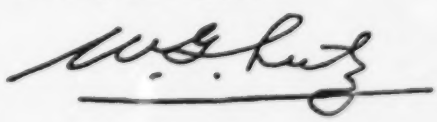
	Note Reference	1983	1982
		(thousands of dollars)	
Assets			
Current			
Short-term investments		$ 187,291	$ 159,957
Accounts receivable	3	338,972	373,764
Inventories		91,211	133,009
Prepaid expenses		118,496	118,717
		735,970	785,447
Investments	4	552,595	525,743
Property, plant and equipment	5	4,973,117	4,390,717
Deferred charges	6	215,574	155,128
		$6,477,256	$ 5,857,035

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the consolidated statement of financial position of Crown Investments Corporation of Saskatchewan as at December 31, 1983 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
March 27, 1984.

W. G. Lutz, F.C.A.,
Provincial Auditor.

	Note Reference	1983	1982
		(thousands of dollars)	
Liabilities and Province's Equity			
Current			
Bank indebtedness	7	**$ 118,632**	$ 229,968
Accounts payable and accrued liabilities		**583,876**	590,487
Dividend payable		**—**	42,000
Notes payable	8	**260,519**	84,700
Deferred revenue	9	**148,397**	136,251
Long-term debt due within one year	10	**40,269**	73,939
		1,151,693	1,157,345
Deferred revenue	9	**130,014**	66,068
Long-term debt	10	**3,791,343**	3,179,479
Province of Saskatchewan's Equity			
Advances	12	**838,730**	838,730
Reinvested earnings		**481,848**	536,577
		1,320,578	1,375,307
Customer capital contributions	13	**83,628**	78,836
		1,404,206	1,454,143
		$ 6,477,256	$ 5,857,035

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

	Note Reference	1983	1982
		(thousands of dollars)	
Revenue			
Sales of products and services		**$ 1,770,316**	$ 1,613,648
Revenue from investments	4	**86,175**	80,730
Other		**50,589**	40,870
		1,907,080	1,735,248
Expenses			
Operating costs other than those listed below		**1,305,391**	1,270,729
Interest	11	**329,709**	294,003
Depreciation and depletion		**216,582**	201,868
Saskatchewan taxes and resource payments	14	**110,127**	94,642
		1,961,809	1,861,242
Loss	22	**$ (54,729)**	$ (125,994)

(See accompanying notes)

Consolidated Statement of Reinvested Earnings

For the Year Ended December 31

	Unappropriated		Appropriated (Note 16)		Total	
	1983	1982	**1983**	1982	**1983**	1982
			(thousands of dollars)			
Balance, beginning of year — Note 19	**$213,241**	$324,125	**$323,336**	$380,446	**$536,577**	$704,571
Loss	**(54,729)**	(125,994)	**—**	**—**	**(54,729)**	(125,994)
Dividend	**—**	**—**	**—**	(42,000)	**—**	(42,000)
Appropriations	**1,017**	15,110	**(1,017)**	(15,110)	**—**	**—**
Balance, end of year	**$159,529**	$213,241	**$322,319**	$323,336	**$481,848**	$536,577

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

	Note Reference	1983	1982
		(thousands of dollars)	
Sources of Working Capital			
Operations			
Loss		**$ (54,729)**	$ (125,994)
Items not affecting working capital		**196,946**	205,232
		142,217	79,238
Loans — Consolidated Fund	10	**659,416**	830,507
Other long-term debt proceeds	10	**38,473**	22,675
Advances — Saskatchewan Heritage Fund		**—**	31,000
Increase in deferred revenue	9	**68,312**	37,289
		908,418	1,000,709
Application of Working Capital			
Capital expenditures, net of proceeds on disposals	24	**791,819**	711,836
Net increase in investments	4	**37,909**	94,566
Repayments to Province of Saskatchewan			
— Loans — Heritage Fund	10	**10,000**	—
— Loans — Consolidated Fund	10	**56,425**	71,395
Repayments of other long-term debt	10	**2,781**	1,407
Dividend		**—**	42,000
Other non-current items		**53,309**	8,837
		952,243	930,041
Increase (decrease) in working capital		**$ (43,825)**	$ 70,668

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1983

1. Summary of significant accounting policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

a) **Consolidation principles**

The Crown Corporations Act, 1978, assigns certain financial and other responsibilities to the Crown Investments Corporation of Saskatchewan regarding the corporations subject to Part II of the Act as defined by Order-in-Council 1267/78 and amended by Order-in-Council 710/83.

The following corporations, which are subject to Part II of the Act, are consolidated in these financial statements in accordance with the pooling of interests method.

Resource Corporations

Potash Corporation of Saskatchewan and consolidated subsidiaries;
Saskatchewan Forest Products Corporation;
Saskatchewan Minerals;
Saskatchewan Mining Development Corporation and consolidated subsidiary;
Saskatchewan Oil and Gas Corporation and consolidated subsidiary.

Utilities

Saskatchewan Computer Utility Corporation;
Saskatchewan Power Corporation and consolidated subsidiaries;
Saskatchewan Telecommunications;
Saskatchewan Water Supply Board.

Financial and Service Corporations

Agricultural Development Corporation of Saskatchewan;
Municipal Financing Corporation of Saskatchewan;
Saskatchewan Development Fund Corporation;
Saskatchewan Economic Development Corporation;
Saskatchewan Government Insurance;
Saskatchewan Transportation Company;
The Saskatchewan Government Printing Company.

Crown Corporations do not have share capital. However, twelve corporations have received non-interest bearing equity advances from the Crown Investments Corporation of Saskatchewan. In addition, four corporations (including Crown Investments Corporation of Saskatchewan) have received non-interest bearing equity advances directly from the Saskatchewan Heritage Fund.

For purposes of these consolidated financial statements, the equity advances from the Crown Investments Corporation of Saskatchewan have been eliminated against the corresponding equity of the twelve applicable corporations. Therefore the amount reported as equity advances in these consolidated financial statements represents only those equity advances received directly from the Saskatchewan Heritage Fund (note 12).

In addition to the Crown Corporations listed above, the Prince Albert Pulp Company Ltd. and CIC Industrial Interests Inc., are wholly owned subsidiaries. These two corporations are consolidated in accordance with the purchase method of accounting.

b) **Inventories**

Inventories for resale at various stages of manufacture are valued at the lower of average cost and net realizable value, except for certain forest products raw materials and other inventory supplies which are valued at the lower of average cost and replacement cost.

c) **Property, plant and equipment**

Property, plant and equipment is recorded at cost and includes materials, services, direct labour and fringe benefit costs which are readily identifiable with the construction activity or asset acquisition. The cost of funds used to finance the construction of major projects is also included.

The costs of maintenance, repairs and renewals or replacements are charged to operations as incurred. The cost of replacements and improvements which extend productive life are capitalized as property, plant and equipment.

When property, plant or equipment is disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations. This general policy for all operations applies only to complete asset units in the Saskatchewan Power Corporation. Saskatchewan Telecommunications includes gains or losses in accumulated depreciation.

Property, plant and equipment includes land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; capital leases; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and

equipment relating to potash, oil, gas and mineral activities; all costs arising from the development of shafts for potash mining as well as the exploration for and development of oil and gas reserves; and the joint venture investments of Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation and Saskatchewan Power Corporation which are accounted for by the proportionate consolidation method.

d) **Depreciation and depletion**

Buildings and improvements, machinery and equipment costs are depreciated primarily on the straight line basis over the estimated productive life of each asset.

Deferred property, exploration and development costs, oil and gas production and gathering systems, and mining assets are depleted according to the unit-of-production method.

The approximate composite rate of depreciation and depletion is five per cent on all property, plant and equipment excluding land, plant under construction and certain deferred capital costs of Saskatchewan Mining Development Corporation. The current undepreciable assets amount to $1,539 million (1982 - $1,289 million).

e) **Foreign exchange translation**

Monetary items are translated at the rate of exchange in effect at the year end. Revenue and expenses are translated at rates in effect on the dates they occur. Non-monetary items are translated at the exchange rate prevailing at the time of the transaction. Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end date. Where this conversion results in a difference from the previously recorded amount for long-term debt the difference is included in deferred charges and amortized on a straight line basis over the remaining terms of the debt.

f) **Investments**

Investments maturing within one year are included with current assets and are valued at cost. This valuation approximates their quoted market value.

Portfolio investments include securities in private companies recorded at the lower of cost and net realizable value, and marketable securities, recorded at cost which includes the unamortized amount of purchase discounts and premiums which are amortized over the term of the security.

Investments in the shares of Interprovincial Steel and Pipe Corporation Ltd. and SED Systems Inc. are recorded on the equity method of accounting. Cablecom Corporation and Prairie Malt Limited, non-consolidated subsidiaries, are also recorded on the equity method of accounting. The proportionate share of annual earnings for these investee corporations is included as revenue from investments.

Where there has been a decline in the value of an investment that is considered other than temporary in nature, the investment is written down to net realizable value.

g) **Deferred charges**

Deferred charges include unamortized conversion differences arising from foreign exchange fluctuations, debt-related charges, unamortized early retirement program costs and pre-operating and pre-acquisition costs.

Unamortized conversion differences arising from foreign exchange fluctuations are amortized over the remaining period to the maturity date of each obligation.

Unamortized discounts and expenses applicable to the issue of long-term debt are amortized in equal annual amounts over the respective term of each obligation. Gains earned on the retirement of sinking fund assets before maturity are included with deferred charges and are amortized over the respective initial term of each obligation.

Pre-operating and pre-acquisition costs are amortized over a period not exceeding 10 years.

h) **Leases**

i) As lessee, where the corporation has substantially all of the benefits and risks incident to the ownership of property, plant and equipment, the lease is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category. All other leases are classified as operating leases and lease payments are expensed as incurred.

ii) As lessor, where the corporation transfers substantially all of the benefits and risks incident to the ownership of the property, plant and equipment to the lessee, the lease is classified as a sales-type lease or direct financing lease. At the inception of these leases the difference between the fair value and carrying value of the lease asset is recognized as income (or loss). The present value of future

minimum lease payments is recorded as the net investment in leases. When lease payments are received, a portion is applied against the net investment with the remainder recognized as financing income. All other leases are classified as operating leases and lease payments are recorded as income.

i) **Pensions**

The corporations which have benefit based pension plans make regular payments into their pension funds at the actuarially determined rates equal to the charges against income. These rates will provide for future pension benefits over the remaining working lives of the employees. The most recent actuarial valuations indicate that there are past service costs of approximately $82 million which will be funded and charged to future operations in this manner.

2. Status of the Crown Investments Corporation of Saskatchewan

The Corporation, then named The Government Finance Office, was established by Order-in-Council 535 dated April 1, 1947 and continues under the provisions of The Crown Corporations Act, 1978 as Crown Investments Corporation of Saskatchewan.

3. Accounts receivable

Accounts receivable include $79 million (1982 — $56 million) of utility revenue earned before December 31, but not yet billed to customers at that time.

4. Investments

	1983	1982
	(thousands of dollars)	
Portfolio investments		
Shares - private companies	$ 39,174	$ 26,054
Bonds and debentures	220,963	196,207
	260,137	222,261
Equity investments	62,289	70,561
Loans	169,650	175,498
Property holdings	60,519	57,423
	$ 552,595	$ 525,743

Bonds and debentures had a market value of $223 million on December 31, 1983 (1982 - $195 million).

Equity investments include an amount of $22 million (1982 -$22 million) which represents the Corporation's shareholdings in Prairie Malt Limited and Cablecom Corporation, non-consolidated subsidiaries.

An equity investment had a difference between the cost and the underlying book value at date of purchase. This difference is being amortized on the straight line basis over 40 years. At December 31, 1983 the unamortized difference was $1.3 million (1982 - $1.4 million).

The Corporation's proportionate share of 1983 net earnings for equity investments, less amortization of the excess of cost over book value of $45 thousand (1982 -$404 thousand), amounted to $2 million (1982 - $3 million) and is included as revenue from investments.

5. Property, plant and equipment

	1983	1982
	(thousands of dollars)	
Land	$ 89,706	$ 86,573
Buildings & improvements	570,871	575,507
Machinery & equipment	3,893,011	3,457,891
Capital leases	63,302	33,785
Plant under construction	677,057	614,683
Deferred property, exploration & development costs	1,053,982	826,951
	6,347,929	5,595,390
Accumulated depreciation and depletion	1,374,812	1,204,673
	$ 4,973,117	$ 4,390,717

6. Deferred charges

	1983	1982
	(thousands of dollars)	
Unamortized foreign exchange losses	$ 79,950	$ 68,583
Unamortized discount on long-term debt	47,346	21,505
Unamortized early retirement program costs	24,111	—
Pre-operating and pre-acquisition costs	64,167	65,040
	$ 215,574	$ 155,128

7. Bank indebtedness

Bank indebtedness includes an amount of $56 million (1982 - $30 million) that is secured by an assignment of certain assets.

8. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund and Heritage Fund amounted to $231 million at December 31, 1983 (1982 - $84.7 million). The notes are interest bearing, having an annual average interest rate of 9.7 per cent (1982 - 10 per cent) and are repayable on terms of less than one year.

9. Deferred revenue

	1983	1982
	(thousands of dollars)	
Current:		
Unearned insurance premiums	$ 143,387	$ 132,302
Other	5,010	3,949
Total current	$ 148,397	$ 136,251
Non-current:		
Power utility revenue prepayments	$ 40,685	$ 35,556
Deferred sales	63,235	14,705
Deferred dragline gain	14,671	15,807
Other	11,423	—
Total non-current	$ 130,014	$ 66,068

10. Long-term debt

Province of Saskatchewan

A. Consolidated Fund

Year of Repayment	Interest Rate	U.S. Dollar Debt	1983	1982
			(thousands of dollars)	
1983	5.00		$ —	$ 19,482
1983	4.13		—	12,909
1983	5.25		—	2,024
1983	5.00		—	6,779
1984	4.75	$ 11,677	14,531(b)	14,349
1984	5.50		5,378(a)	5,377
1984	8.38		25,000(s)	50,000
1984	5.25		1,960(r)	1,960
1984	5.00	6,976	8,681(b)	8,572
1985	5.50		5,214(a)	5,214
1985	5.50		8,643(a)	8,643
1985	5.50		2,140(r)	2,140
1985	8.50		50,000(s)	50,000
1985	11.25		50,000(s)	50,000
1986	5.88		2,400(r)	2,400
1986	8.75	75,000	93,330(b)	92,160

1986	6.25		**8,926(a)**	8,926
1987	6.00		**8,783(a)**	8,783
1987	9.25		**75,000(s)**	75,000
1986-87	5.29-5.61		**22,344(e)**	22,344
1986-88	15.60		**100,000(q)**	100,000
1986-96	13.375		**150,000(p)**	150,000
1987-88	5.39-6.53		**20,363(e)**	20,363
1987-02	11.75-12.875		**15,000(n)**	15,000
1987	11.75		**75,000(s)**	75,000
1987-89	16.75		**100,000(j)**	100,000
1988	10.75		**100,000(s)**	—
1988	7.25		**11,025(a)**	11,025
1988	16.25	100,000	**124,440(c)**	122,880
1988-89	6.40-7.17		**35,908(e)**	35,908
1988	15.375	77,663	**96,643(l)**	95,432
1989	7.625	11,300	**14,062(d)**	13,885
1989-90	7.16-8.33		**40,357(e)**	40,357
1989	16.00	125,000	**155,550(s)**	153,645
1990	10.75	125,000	**155,550(s)**	—
1990	4.88	8,850	**11,012(b)**	10,875
1990	8.75		**15,000(f)**	15,000
1990-91	6.79-8.14		**42,868(e)**	42,868
1991	5.75		**2,450(a)**	2,450
1991	16.375	200,000	**248,880(s)**	245,760
1991-92	6.75-7.54		**42,731(e)**	42,731
1991-92	15.875		**7,000(s)**	7,000
1992-93	7.08-7.51		**38,282(e)**	38,282
1992	15.00	150,000	**186,660(s)**	184,350
1992	15.625	46,452	**57,805(u)**	57,080
1993-94	7.47-7.61		**14,941(e)**	14,941
1994	5.50		**3,769(f)**	3,769
1994-95	8.01-9.14		**21,176(e)**	21,176
1995	8.80-9.34		**9,577(e)**	9,577
1996-97	8.83-8.93		**5,790(e)**	5,790
1997	8.88-9.03		**8,509(e)**	8,509
1998	7.75		**30,000(g)**	30,000
1998	8.25		**30,000(g)**	30,000
1998-99	9.35-10.16		**44,183(e)**	44,183
1999	10.00		**45,000(g)**	45,000
1999	10.20-10.68		**16,205(e)**	16,205
2000	9.875		**5,185(h)**	70,000
2000	11.75		**75,000(f)**	75,000
2001	10.25		**75,000(g)**	75,000
2002	9.00		**75,000(g)**	75,000
2002	13.00		**150,000(k)**	150,000
2003	11.65		**8,182(e)**	—
2003	12.25		**275,000(s)**	—
2003	10.92-12.14		**73,170(e)**	—
2003	9.50		**75,000(g)**	75,000
2004	10.00		**100,000(g)**	100,000
2006	8.70	125,000	**155,550(i)**	153,600
2007	8.625	125,000	**155,550(i)**	153,600
2008	9.25	125,000	**155,550(i)**	153,600
2008	9.00		**50,000(s)**	—
			3,886,253	3,336,903
Less: sinking fund balance (note v)			**302,637(m)**	305,070
			3,583,616	3,031,833

10. Long-term debt (continued)

B. Saskatchewan Heritage Fund

1984-87	9.3	$ 20,000(o)	$ 20,000
1988	13.0	5,000	5,000
1989	13.0	8,400	8,400
1991-95	17.0	—	10,000
TOTAL DUE TO PROVINCE OF SASKATCHEWAN		3,617,016	3,075,233

Other long-term debt

— Lending institutions				
1985	prime related		115,000(b)	115,000
1987	16.625		15,000	15,000
— Capital lease obligations				
1983-2014	7.80		69,688	30,753
1983-1987	prime related		—	1,545
— Other				
1985-92	12.25	4,000	4,978(t)	4,917
1996	13.00	3,900	4,853	4,795
various			5,077	6,175
		1,320,818	3,831,612	3,253,418
Less due within one year		18,653	40,269	73,939
		$1,302,165	$3,791,343	$3,179,479

10. Long-term debt (continued)

Footnotes:

Note (a) — Callable in whole but not in part on any interest payment date on or after the interest payment date two years before maturity.

Note (b) — Callable in whole or in part by lot.

Note (c) — Callable in whole or in part on or after November 15, 1987.

Note (d) — Callable in whole or in part by lot on February 15, 1984 or on any subsequent dates at various premiums until maturity.

Note (e) — The source of these funds was the Canada Pension Plan which requires its debentures to be subject to redemption on six months notice.

Note (f) — Callable in whole but not in part on any interest payment date on or after the interest payment date three years before maturity.

Note (g) — Callable in whole but not in part on any interest payment date on or after the interest payment date five years before maturity.

Note (h) — Callable in whole or in part on any interest payment date on or after November 3, 1995.

Note (i) — Callable in whole or in part on any interest payment date on or after the interest payment date 15 years before maturity.

Note (j) — Payable in two annual installments of $20 million each on February 24, 1987 and 1988, and one final installment of $60 million on February 24, 1989. Callable in whole but not in part on any interest payment date at various premiums until maturity.

Note (k) — Callable in whole but not in part on December 1, 2000 or on any interest date thereafter prior to maturity.

Note (l) — 150 million Swiss francs fully hedged at $77,662,684 U.S. maturing on March 1, 1988 with interest at 15 3/8 per cent payable annually.

Note (m) — There is a requirement, attached to certain interest bearing advances from the Consolidated Fund, to make annual payments to the Province in amounts representing one per cent to three per cent of the original advance. These annual payments are invested, at interest, by the Province with the cumulative aggregate being available for the retirement of the advances on their maturity dates.

Note (n) — $2 million at 11 3/4 per cent, $2.5 million at 12 per cent, $2.5 million at 12 per cent, $4 million at 12 3/4 per cent, $1.5 million at 12 3/4 per cent, $2.5 million at 12 7/8 per cent repayable December 15, 1987/88/89/90/97/02 respectively.

Note (o) — Due in four equal annual installments June 20, 1984/85/86/87.

Note (p) — Due April 1, 1986, and extendible at the option of the holder to April 1, 1996, such option to be exercised between April 1, 1985 and October 1, 1985.

Note (q) — Payable in two annual installments of $30 million each on July 22, 1986 and 1987 and one final installment of $40 million on July 22, 1988. Callable in whole but not in part on any interest payment date at various premiums until maturity.

Note (r) — Treasury Bills representing loans from the Government of Canada.

Note (s) — Non-callable.

Note (t) — Due in eight equal annual installments March 1, 1985 to 1992.

Note (u) — 100 million Swiss francs fully hedged at $46,452,000 U.S. maturing on June 30, 1992 with interest at 15 5/8 per cent payable annually.

Note (v) — Sinking fund and debt retirement requirements for the next five years are as follows (in thousands of dollars):

1984 — $ 40,269	1986 — $308,798
1985 — $245,404	1987 — $244,378
	1988 — $416,560

Note (w) — Long-term debt payable in United States dollars has been translated into Canadian dollars at the year-end exchange rate of 1.2444 (1982 - 1.2288).

Note (x) — The composite rate of interest on long-term debt, prior to deduction of the sinking fund balance, was 11.8 per cent (1982 - 11.2 per cent).

11. Interest

	1983	1982
	(thousands of dollars)	
Interest on long-term debt	$ 441,518	$ 335,670
Amortization of debt discount	5,200	3,420
Amortization of foreign exchange losses	7,910	6,999
	454,628	346,089
Less		
- sinking funds earnings	38,217	31,353
- gain on debt retirement	1,206	1,837
- interest capitalized	129,312	100,790
	168,735	133,980
Long-term debt expense	285,893	212,109
Short-term interest expense	43,816	81,894
	$ 329,709	$ 294,003

12. Province of Saskatchewan's equity

All advances have been received directly from the Saskatchewan Heritage Fund, are non-interest bearing and repayable at the discretion of the Province.

Advances from the Saskatchewan Heritage Fund to those Crown corporations included in these consolidated financial statements are as follows:

	1983	1982
	(thousands of dollars)	
Crown Investments Corporation of Saskatchewan	$ 109,976	$ 109,976
Potash Corporation of Saskatchewan	418,554	418,554
Saskatchewan Mining Development Corporation	218,700	218,700
Saskatchewan Oil and Gas Corporation	91,500	91,500
	$ 838,730	$ 838,730

13. Customer capital contributions

Customer capital contributions are required by Saskatchewan Power Corporation when the estimated cost of providing future service, beyond the anticipated service life of the provided facility, to certain customers is expected to exceed the revenue to be received from these customers. Customer contributions, in this respect, amounted to $5 million during the year (1982 - $3 million).

Customer contributions required in respect of utility service expected to be economically self-sustaining for the estimated service life of the provided facilities is credited to power utility revenue prepayments (Note 9) and amortized to revenue over the appropriate period.

14. Saskatchewan taxes and resource payments

	1983	1982
	(thousands of dollars)	
Resource royalties and payments		
Oil, gas and coal royalties	$ 52,687	$ 42,160
Potash royalties and payments	12,610	15,013
Timber dues	1,825	1,857
Sodium sulphate royalties	1,033	1,268
	68,155	60,298
Grants in lieu of taxes to municipalities	25,626	25,148
Insurance premium tax	10,010	7,925
Capital tax	7,751	6,654
Other	425	1,006
Total paid or payable	111,967	101,031
Amounts capitalized	(35)	(42)
Amounts inventoried	(1,805)	(6,347)
	$ 110,127	$ 94,642

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments.

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978 amounted to $3.4 million (1982 - $3.4 million) with total accumulated approved expenditures to December 31, 1982 estimated at $25.3 million. The credits will be applied to the cost of property, plant and equipment as earned but only to a maximum of $9.6 million because the grant payments end in 1985.

15. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1983:

a) natural gas contracted for future delivery for approximately $2,394 million valued at current prices,

b) capital expenditures for approximately $385 million,

c) approved but undisbursed purchases of municipal debentures of approximately $1.7 million,

d) approved but undisbursed loans of approximately $18 million, loan guarantees in force of approximately $7.6 million of which $4.6 million were not used at December 31, 1983,

e) borrowed 2,123,121 pounds of uranium concentrates to be repaid subject to prior notice on December 31, 1986. If the obligations to return these borrowed concentrates in kind cannot be met the lender could, on demand, draw upon $60 million in U.S. letters of credit guaranteed by the Province of Saskatchewan, to cover the costs of purchasing substitute concentrates, and

f) financial commitments arising from various exploration and development joint venture agreements.

The Corporation and its consolidated Crown corporations had the following contingencies as at December 31, 1983:

a) In 1983 the Cumberland House Local Community Authority #3 and various local groups and residents commenced legal action against the Saskatchewan Power Corporation and the Province of Saskatchewan claiming $200 million as compensation for damages allegedly suffered due to the construction and operation of the Squaw Rapids Hydroelectric Station. The case is now proceeding.

b) In 1982 the Saskatchewan Power Corporation sold a dragline for $45 million. The purchaser of the dragline financed the transaction by issuing promissory notes due May 18, 2003 bearing interest at 12.75%. The notes were endorsed by the Corporation and the Corporation's liability as endorser is guaranteed by the Province of Saskatchewan. The notes were then sold. The Corporation holds a chattel mortgage on the dragline as security against its contingent liability.

The corporations are the defendants to several unresolved statements of claim. The corporations have provided in their accounts for these claims in accordance with the advice received from legal counsel. The corporations intend to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

16. Reinvested earnings — appropriated

	Appropriated Reinvested Earnings-Saskatchewan Heritage Fund	Appropriated Reinvested Earnings-A.A.I.A.	Appropriated Reinvested Earnings-Other	Appropriated Reinvested Earnings-Total
		(thousands of dollars)		
January 1, 1982	$ 363,519	$ —	$ 16,927	$ 380,446
Appropriations - 1982	(40,183)	—	(16,927)	(57,110)
December 31, 1982	323,336	—	—	323,336
Appropriations - 1983	(15,908)	14,891	—	(1,017)
December 31, 1983	**$ 307,428**	**$ 14,891**	**$ —**	**$ 322,319**

The appropriation of reinvested earnings in respect to the Saskatchewan Heritage Fund and Automobile Accident Insurance Act (A.A.I.A.) is in accordance with a resolution of the Corporation's board of directors made pursuant to The Crown Corporations Act, 1978. The amount shown as appropriated to the Saskatchewan Heritage Fund is the cumulative net earnings of Potash Corporation of Saskatchewan and Saskatchewan Mining Development Corporation less dividends paid out of these cumulative net earnings by Crown Investments Corporation of Saskatchewan to the Saskatchewan Heritage Fund.

The net earnings derived from Saskatchewan Government Insurance's administration of A.A.I.A., are reserved for the administration of the Act.

17. Remuneration of directors and senior officers

The Corporation's eleven directors (1982 - eight) received Nil (1982 - $2,400) remuneration from Crown Investments Corporation of Saskatchewan as directors. The thirteen senior officers (1982 -15) received, in aggregate, $825,055 in salaries for 1983 (1982 -$957,789).

18. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and non-Part II Crown corporations with which the corporation is related.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

19. Restatement

Operating costs, reinvested earnings, and accounts payable for 1982 were restated retroactively for Petroleum and Gas Revenue Tax and additional Corporation Capital Tax. For 1982, operating costs were decreased by $32,000 and reinvested earnings increased by $59,000 and accounts payable decreased by $59,000.

20. Regulatory Commission

The Public Utilities Review Commission Act was proclaimed in full force and effect in December, 1982 by the Saskatchewan Legislature. Certain rates charged by corporations included in these consolidated financial statements are subject to the review and approval of the Commission as follows;

a) Saskatchewan Power Corporation and North-Sask Electric Ltd. with respect to their rates for sale of energy or gas;

b) Saskatchewan Telecommunications with respect to rates charged within Saskatchewan for non-competitive telephone services;

c) Saskatchewan Government Insurance with respect to premiums charged under The Automobile Accident Insurance Act.

21. Leases

a) The corporation, as lessor, has entered into sales-type and direct financing leases which transfer substantially all of the benefits and risks to the lessee. The investment in these types of leases is as follows:

	1983	1982
	(thousands of dollars)	
Amounts due within one year	$ 3,293	$ 2,797
Amounts due thereafter	21,189	20,707
Total investment in capital leases	$ 24,482	$ 23,504

Financing income earned from the above leases amounted to $3 million in 1983 ($2.5 million in 1982).

b) All other assets leased by the corporation, as lessor, were considered operating leases as follows:

	1983	1982
	(thousands of dollars)	
Cost of property leased	$ 41,639	$ 19,456
Related accumulated depreciation	(3,871)	(3,080)
Net cost of property leased	$ 37,768	$ 16,376

Rental income derived from the above property amounted to $4 million for 1983 ($3.3 million in 1982)

c) The corporation, as lessee, has entered into capital leases whereby substantially all of the benefits and risks have been transferred to the corporation from the lessor. Committment information related to these leases is as follows:

	1983	1982
	(thousands of dollars)	
Future minimum lease payments		
1983	$ —	$ 3,342
1984	8,782	3,342
1985	8,756	3,342
1986	8,720	3,342
1987	8,690	2,984
1988	8,251	—
Thereafter	105,030	53,891
Total minimum lease payments	148,229	70,243
Less amount representing interest and executory costs	(77,688)	(37,945)
Balance of obligation	70,541	32,298
Less current portion	(1,894)	(689)
	$ 68,647	$ 31,609

d) All other leases entered into by the corporation, as lessee, were operating leases with future minimum lease payments as follows:

	1983	1982
	(thousands of dollars)	
1983	$ —	$ 15,410
1984	17,302	14,386
1985	13,734	11,766
1986	10,602	8,474
1987	8,316	7,436
1988	7,128	—
Thereafter	9,426	19,645
Total	$ 66,508	$ 77,117

22. Assumed Reinsurance

Saskatchewan Government Insurance (S.G.I.) underwrites a portfolio of assumed reinsurance, which accepts a portion of the risk of other insurers. In 1983, the profit from assumed reinsurance operations was $16.3 million (1982 - loss $32.3 million). The 1983 assumed reinsurance profit is due to the achievement of an agreement terminating a substantial part of S.G.I.'s assumed reinsurance liabilities. This 1983 agreement enabled S.G.I. to reduce the estimate for unpaid claims liabilities recorded for prior underwriting years. The major portion of these liabilities were incurred under a reinsurance arrangement which was terminated in 1980.

23. Subsequent Event

Effective January 1, 1984, all assets and liabilities pertaining to the compulsory comprehensive automobile insurance program and the Rate Stabilization Reserve balance, which have previously been recorded in the accounts of Saskatchewan Government Insurance (S.G.I.), will be transferred to the Saskatchewan Auto Fund. The Automobile Accident Insurance Act and the Saskatchewan Auto Fund will be administered by S.G.I.

24. Segmented information

	Resources		Utilities		Financial & Services		Consolidated Operations	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
	(millions of dollars)							
Statement of Operations								
Revenue	**$ 434**	$ 382	**$ 1,062**	$ 968	**$ 365**	$ 347	**$ 1,861**	$ 1,697
Operating costs	**279**	265	**677**	621	**299**	352	**1,255**	1,238
Interest	**23**	11	**221**	185	**27**	24	**271**	220
Depreciation and depletion	**57**	50	**133**	125	**3**	3	**193**	178
Saskatchewan taxes	**61**	54	**35**	29	**12**	10	**108**	93
	420	380	**1,066**	960	**341**	389	**1,827**	1,729
Segment margin	**$ 14**	$ 2	**$ (4)**	$ 8	**$ 24**	$ (42)	**34**	(32)
Earnings from equity investments (Note 4)							**2**	3
Interest, general corporate expenses and subsidiary							**(89)**	(99)
Intercorporation profits							**(1)**	2
Consolidated loss							**$ (54)**	**$ (126)**

Revenue and expenses are recorded before the elimination of intercorporation transactions. These transactions are priced at open market prices for similar products and services and are eliminated in the determination of the consolidated statement of operations.

Interest, general corporate expenses and subsidiary include C.I.C. Corporate results and Prince Albert Pulp Company Ltd.

	Resources		Utilities		Financial & Services		C.I.C. Corporate		Consolidated Operations	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982	**1983**	1982
	(millions of dollars)									
Investments	**$ 1**	$ 2	**$ 14**	$ 11	**$ 429**	$ 404	**$ 108**	$ 109	**$ 552**	$ 526
Property, plant & equipment	**$ 1,980**	$ 1,710	**$ 2,745**	$ 2,424	**$ 45**	$ 46	**$ 203**	$ 210	**$ 4,973**	$ 4,390
Capital expenditures	**$ 321**	$ 354	**$ 452**	$ 336	**$ 2**	$ 5	**$ 17**	$ 17	**$ 792**	$ 712

The information stated above is net of intercorporation transactions.

For the purposes of providing the foregoing segmented information given in this note, C.I.C. Corporate includes C.I.C., CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd.

POOR

QUALITY

ORIGINAL